185 474 241 The peasants also revived and breathed new life into the co-operatives which had been broken up during the period of Militant Communism. In 1923 they established another cooperative organization, the Selo-Tekhnyka (Village Machines) which purchased more expensive agricultural machinery and rented it out to the peasants for the appropriate agricultural work. These points became the centre of mechanization and were in effect the first [453] tractor stations. In 1924 they established the First Agricultural Bank, a sort of private institution which at one time had more loans outstanding than had the Ukrainian State Bank which was, of course, closely supervised by Moscow.

185 369 All these efforts met with marked success and agriculture speedily began to revive. The peasants became more prosperous and their holdings of livestock rapidly increased, although they did not reach the pre-war level. This, in its turn, created a new demand for manufactured products and restored the factories to operation, and with them the conditions in the cities began to improve.

185 471 [475] Similar concessions were made to industry, but with one important difference. The larger and more important industrial plants were not turned back to their former owners who were, as before, allowed no voice or influence in their direction. They were taken from the workers who had seized and abused them during the period of Militant Communism and placed under the supervision of government trusts. These were either regional in character or confined to a single branch of industry. In either case, they were under the control of a more or less trusted group of men among whom Communists were in the leading positions, but while they received certain credits from the state, they were more or less autonomous and they were allowed to go through regular commercial transactions and encouraged to show profits in their annual reports. There was thus again a source of encouragement both for the directors and the workers, and slowly but surely the level of industry began to rise.

The smaller plants were very often leased to individuals who were allowed to employ hired labor and the hope was given to these that their taxes would be at such a level that they, too, could

* [NEP attempts to restore peasant prosperity -- Analyst]

471 managed and financed. Russia has not been able to
433 find capital for new projects, with the result that within the last twenty-five years numerous undertakings have been started with foreign money. Official lists show that the nation most largely interested is France, Belgium and Great Britain coming next. The fortunes of these enterprises have varied, but in general their success has not been great in proportion to the original capital.

453 The last quarter of a century has also seen the
491 foundation of a number of trading banks with Russian titles and boards of directors at least nominally Russian. Their resources, however, are largely provided and completely controlled from Germany. These institutions have admittedly acquired a controlling interest in most of the concerns above mentioned, often at a very moderate outlay, and have supplied additional loan capital at profitable rates of interest. One and the same bank has in many cases obtained control over every stage in the production of a manufactured article, from the winning of the raw material onward, of course drawing its profit from every undertaking concerned. Certain British concerns have held out and kept their shares in their own hands, but financial institutions governed by German capitalists have a preponderating hold on those industries of the Ukraine which are large enough to repay their attention—that is, on the coal, iron, and allied industries of the Donets, and the sugar industries of the Kiev district.

The foreign interests in the Ukraine lie principally in the industrial concerns above mentioned. British interests are not strong, and are chiefly represented by some collieries and ironworks at Alexandrovsk and the general properties of the New Russia Co., Ltd., at Hughesovka and elsewhere (cf. p. 86).

9: Prothero G-4 (no date) 1920 RD1 Ukraine RD1

Government.	1906. *Roubles.*	1910. *Roubles.*
Yekaterinoslav . .	5,210,000	8,241,000
Poltava . . .	6,737,000	8,750,000
Taurida . . .	3,599,000	4,576,000
Kharkov . . .	5,753,000	9,168,000
Kherson . . .	3,808,000	5,542,000

Thirty-one towns in the Ukraine have municipal administrations, and can raise taxes and contract loans for purposes similar to those of the *zemstvo* budgets. A considerable debt has been incurred. The towns of Kiev, Kharkov, and Odessa have borrowed money for municipal purposes in foreign markets; of a total debt of 53,000,000 roubles, these three towns account for 35,000,000 roubles.

The *mirs* or local communes can also raise some taxes for purely local purposes. Obligatory taxes are levied for local communal administration, provision of granaries for storing food-stuffs, upkeep of local roads on peasant lands, and insurance against fire and inundations. Facultative powers of taxation are in the hands of the *mirs* for the building and maintenance of churches, schools, and hospitals, and other special local needs. There is a great deal of irregularity in the levying and administration of these taxes.

(2) Banking

The banks of the Ukraine fall into several well-defined groups. In the first place come banks which are State or semi-State institutions. These are the Imperial State Bank, the Land Bank of the Nobility, the Peasants' Land Bank, and the State Savings Bank.

The Imperial State Bank is a Government institution with a wide sphere of activity. It controls the currency and note issue, being the only bank issuing notes. It undertakes general banking and bill broking, besides having close relations with the Treasury for revenue, loan, and other purposes. It makes large loans to private banks; up to 1910 the total amount was £189,000,000. It also advances money on merchandise, principally on

9: Prothero G-4 (no date) 1920 RD1 Ukraine RD1

grain. The bank's net profits in 1904 were £1,200,000, and in 1910 £2,400,000. The capital is £5,000,000, and the reserve £500,000.

The Land Bank of the Nobility was founded after the liberation of the serfs to make advances on land, to finance the nobility involved in the transfer of part of their estates to the peasants, and to prevent the ruinous hypothecation of their land elsewhere.

The Peasants' Land Bank, founded in 1883, renders similar services to the peasants, advancing money on land to increase peasant holdings, to purchase agricultural machinery or live-stock, and for other objects.

The State Savings Banks carry out the function their title suggests, and also undertake certain minor insurance business. Branches can be opened in all towns and villages. The management is supervised by the Imperial State Bank. The banks were started in 1862 with 140,000 accounts and £850,000 in deposits, and in 1907 had 6,940,000 accounts and £128,000,000 in deposits.

Joint-stock land banks form the next group of important banks. There are four in the Ukraine, with resources as follows:

Bank.	*Share Capital.*	*Reserves.*	*Bonds in circulation.*
	£	£	£
Kharkov . . .	1,170,000	200,000	12,000,000
Poltava	800,000	600,000	11,000,000
Bessarabia–Taurida . .	700,000	500,000	11,000,000
Kiev	600,000	400,000	9,500,000

These banks advance money on agricultural security on a business basis, and make considerable profits.

Mutual credit associations form another group, and are spread all over the country, their aggregate turnover being very great. They vary very much in size and extent of operations, but in general their rate of interest is high.

Trading banks form the last great group. They are usually joint-stock concerns, and are carried on according to the German model, their foundation being

9: Prothero G-4 (no date) 1920 RD1 Ukraine RD1

453 often due to German enterprise. They interest themselves in all sorts of industrial concerns, and even promote new ones. The following banks of this class have branches in the Ukraine: Discount Bank of Petrograd, Petrograd International Commercial Bank, Russian Bank for Foreign Trade, Union Bank, Volga-Kama Bank, Bank of Commerce and Industry, Azov-Don Bank, Russo-Asiatic Bank, and Commercial Bank of Siberia. One or two Moscow banking firms also have a few branches. The Russo-French Bank and the Russian and English Bank are joint-stock concerns founded specially to look after the Russian trade of the two countries in question. The Crédit Lyonnais appears to be the only purely foreign bank which has branches in the Ukraine.

(3) Principal Fields of Investment

000 The lack of capital in Russia, and the backward state of the industrial and commercial life of the Ukraine, offer innumerable openings to the foreign investor. The rivers should be canalized and systematically used for traffic; more railways and tramways are needed, and at least some water-power could be industrially used. Lastly, the iron and steel trades could be developed greatly. Unless, however, labour problems can be simplified, and the quality of native labour much improved, a great risk will always attach to the investment of capital in the Ukraine.

(E) GENERAL REMARKS

A Ukraine proverb runs: 'The harvest is the Almighty!' This gives the clue to the whole economic situation of the country. Great as are the industries in the Donets and Krivoy-Rog regions, these are a foreign growth, largely dependent on capital and management from abroad, and worked mainly by immigrants from Great Russia. Agricultural problems, therefore, are the chief concern of those interested to see the Ukraine prosperous. The task before them is